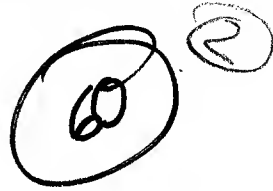


Sitrep

21 Aug 1984

Poland

The rescheduling agreement signed last month between Warsaw and its commercial bank creditors reportedly has hit a snag. The agreement rescheduled \$1.6 billion due in 1984-87 and called for \$645 million in credits over the next two years. [redacted]

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[redacted] the banks could only come up with \$612 million, with banks in Romania, Argentina, Spain, and the US failing to contribute their share. Although the Polish government has formally declined to accept the new money facility, a Polish financial official told the US Embassy that Warsaw is likely to let the agreement go into force as scheduled on 24 August. [redacted]

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Poland probably does not want to back out of the agreement now and jeopardize newly revived short-term credit lines from commercial banks.

Moreover [redacted] Poland's position to renegotiate has been weakened because the regime already has made some payments under the agreement. [redacted]

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Yugoslavia

Belgrade's failure to provide financial information and its unilateral attempt to develop an economic adjustment program for 1985 irritated commercial bank creditors and caused them to cancel their initial meeting on rescheduling Yugoslavia's debts for 1985 [REDACTED] The 1983 and 1984 bank refinancing agreements require Belgrade to report regularly on balance of payments performance, and the creditors have made new data a precondition for beginning discussions on a new rescheduling. The banks also have told Yugoslavia that IMF involvement in the country's economic program is imperative.

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[REDACTED]

The attempt by Yugoslav officials to seize the initiative on new refinancing negotiations may not work to Belgrade's advantage. Belgrade is pressing for a multi-year package on concessionary terms. Moreover, some officials want to minimize or even eliminate the IMF's role. But bankers are divided on whether Yugoslavia's somewhat improved economic performance warrants concessionary treatment. An attempt to outmaneuver its creditors might jeopardize improved relations with the banks and seriously complicate future rescheduling negotiations.

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